Key Statistics

Population	140,702,096 (July 2008 est.)
GDP	$1.29 trillion (2007 est.)
Per capita GDP	$5,358 (2005)
Telecom share of GDP	2.6%
Telecom revenue	$19.8 billion (2004)
Telecom Revenue Growth	44.1% (2004)
Main lines	43,900,000 (2006)
Main line Penetration	28.8% (2004)
Mobile subscribers	170 million (2007)
Mobile penetration	91% (2006)
Internet users	30 million (2007)
Internet penetration	15.3% (2005)
Broadband subscribers	1.3 million (2005)
U.S. equipment exports to market	$48,642,843 (2005)

Sources: CIA World Factbook, Primetrica, USITC, and Global Insights

Market Overview

The telecommunications market in Russia has consistently been one of the most dynamic sectors of the economy. Telecommunications revenues for year-end 2004 were at $19.8 billion; a 44% increase over the previous year. Currently, the wireless sector is the most competitive sector of the telecommunications market and the greatest source of growth. As the market experiences further liberalization, alternative operators increase their investment in next-generation-networks, and Russian disposable income for new value added services increases, the Russian telecom market should continue to experience strong expansion.

Mobile and Wireless Networks

The mobile phone market is the most competitive and fastest growing sector in the Russian telecom market. With a penetration rate of 91%, the mobile market is outpacing all other sectors for countrywide service coverage; with most customers concentrated in the Moscow and St. Petersburg markets. The main competitors are aggressively investing to upgrade equipment that can deliver next-generation wireless service.

The mobile sector is segmented among three main competitors. Mobile GSM operators Mobile TeleSystems (MTS), Vimpelcom, and Megafon, control approximately 88% of the market, and smaller regional and local operators service the remaining shares. All of the major players operate 2G networks. Currently, only one service provider has a 3G license, Skylink, but the Russian government is expected to issue more licenses during 2006.

Various service providers are vying to provide broadband wireless services such as Wi-Fi/WiMax, but the Russian infrastructure still requires extensive upgrades in order to deliver the new value added services.

As the wireless and mobile market continues to grow and move into more advanced values added services, the sector will present significant opportunities for U.S. equipment exporters.

Fixed-Line Network and Service Market
The fixed-line network market in voice and data services is extremely impaired by continued government control. The penetration rate for voice services is at 28% and is only 15% for data services. The federal government maintains control over the networks through majority ownership of the incumbent ILD operator Svyazinvest, its DLD subsidiatry, Rostelecom, and other regional subsidiaries.

There are a number of CLECs and other alternative operators offering limited services through VoIP, resale, DSL and ADSL, last-mile optical fiber networks, and cable. However, the fixed-line network market will not be able to grow into a competitive market until the government fully privatizes Svyazinvest and Rostelecom. The Russian government has stated that it will sell its remaining shares of Svyazinvest in 2006.

Telecom Trade Agreements

WTO

Russia is in negotiations to accede to the WTO, and is not a signatory to the Information Technology Agreement.

Leading Service Providers

Svyazinvest
http://eng.svyazinvest.ru/

Rostelecom
http://www.rostelecom.ru/en/

Megafon
http://eng.megafon.ru/

Mobile Telesystems (MTS)
http://www1.mtsgsm.com/

VimpelCom
http://www.vimpelcom.ru/index.wbp

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Regulatory

Ministry of Information Technologies and Communications of Russian Federation
http://english.minsvyaz.ru/enter.shtml

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